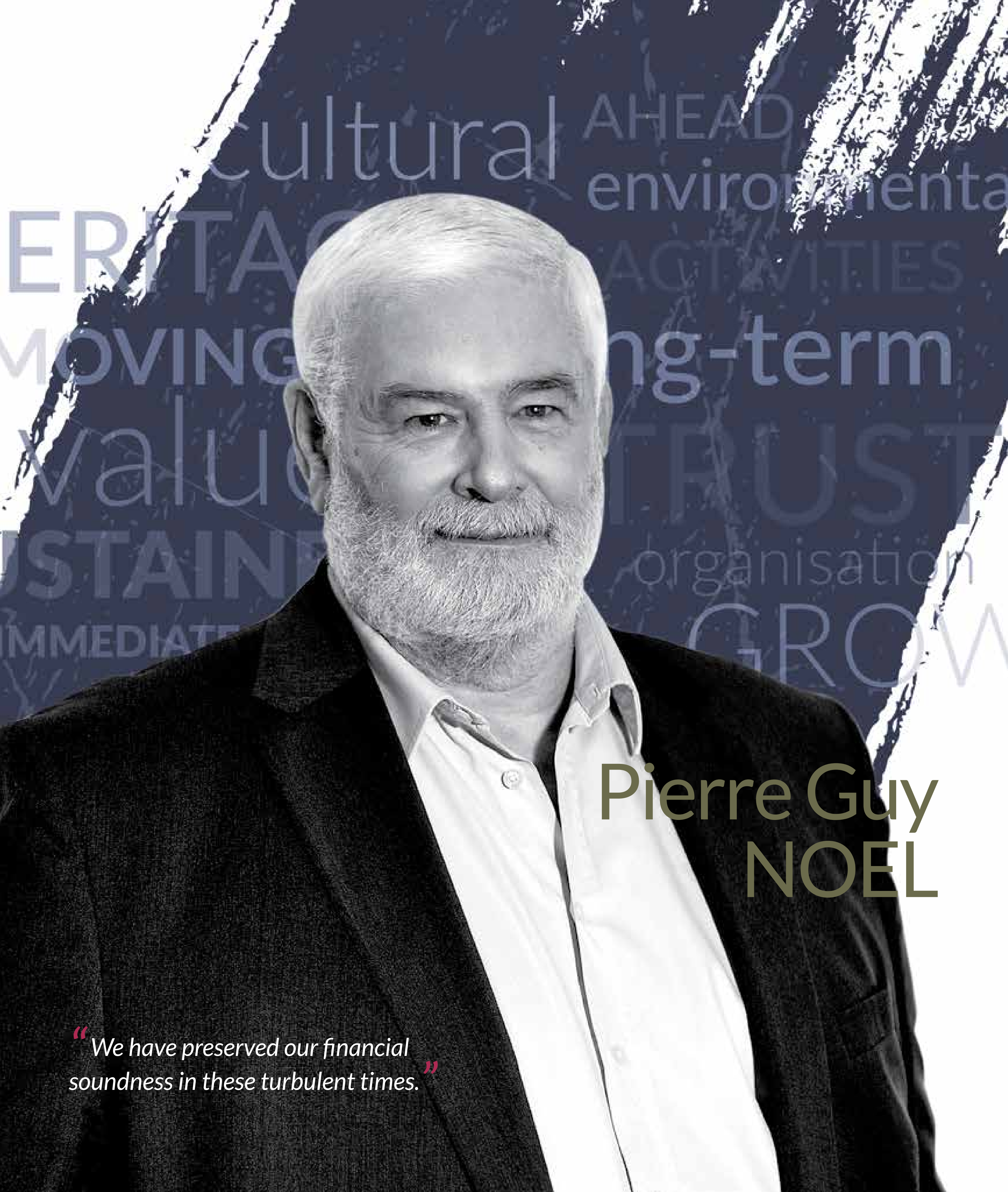


Pierre Guy NOEL

"We have preserved our financial soundness in these turbulent times."

Message from the Chief Executive

Upholding our sound fundamentals amidst testing times

The outbreak of COVID-19 has undoubtedly overshadowed other crises seen in recent history given its wide-ranging implications around the globe. Beyond health concerns and social disruptions, the economic damage is already deemed to be elevated, with the full extent of the impact still difficult to assess at this stage. As in most parts of the world, our presence countries have witnessed notable economic downturn, contributing to highly challenging operating conditions for the Group's entities. Specifically, Mauritius is on course to register its worst contraction in the post-independence era. Whilst some sectors are gradually recovering from the 3-month lockdown, tourism-related activities remain in a quasi-standstill amidst travel constraints, contributing to far-reaching consequences for the economy as a whole in view of their multiplier effect and significance as a foreign exchange earner.

The material deterioration in the operating context since early 2020 has led to a reversal of the strong growth in results recorded by the Group during the first semester of FY 2019/20. Profits attributable to ordinary shareholders dropped by 16.1% to reach Rs 7,912 million for the year ended 30 June 2020, essentially due to a substantial increase in Expected Credit Losses (ECL) resulting from the high level of uncertainty engendered by the COVID-19 crisis. Indeed, additional ECL on the Group's performing asset portfolio amounted to Rs 3,364 million to reflect an inherent increase in credit risks on a forward-looking basis, thus contributing to impairment charges of Rs 5,076 million for the year under review.

Operating results, however, improved on the back of our diversification strategy as demonstrated by a growth of 8.5% in operating income to Rs 21,954 million. Notwithstanding a decline in margins on our international activities, net interest income rose by 11.2%, supported by an expansion in loans and advances and higher investment in Government securities amidst continued high liquidity locally. On the other hand, with business activities being impacted by the difficult market conditions and confinement measures, net fee and commission income declined by 4.7%, mainly due to a reduced contribution from MCB Capital Markets Ltd and lower fees recorded within the banking cluster, particularly during the last quarter of FY 2019/20. 'Other income' increased by 15.0% in spite of lower contribution from MCB Real Assets Ltd, mainly driven by a growth of 22.2% in profit on exchange and net gain from financial instruments carried at fair value.

The resilient performance on the revenue side has led to a further drop in our cost to income ratio which reached 35.5% after accounting for a growth of 3.7% in operating expenses.

The share of profits of associates remained close to the prior year's level, being down only marginally, with improved results posted by BFCOI being offset by a subdued performance recorded at the level of Promotion and Development Ltd.

"...the organisation has pursued its underlying growth trajectories across various market segments, alongside further broadening and diversifying its footprint..."

We have preserved our financial soundness in these turbulent times. Whilst asset quality deteriorated slightly with the gross NPL ratio increasing from 4.1% to 4.2%, the Group has maintained strong funding and liquidity positions alongside further strengthening its capital buffer, with the overall capital adequacy and Tier 1 ratios improving to 18.6% and 17.2% respectively. In the current exceptional circumstances and in line with directives issued by banking regulators across presence countries, the Group has not declared any dividend for the period under review.

Encouragingly, MCB preserved its investment-grade credit ratings, albeit with a negative outlook in view of the detrimental impact of the pandemic on market and economic conditions. The credit agencies have acknowledged the Bank's solid franchise and business model, as well as management quality and adequate risk management, in addition to highlighting its resilient financial metrics heading into the crisis.

Addressing immediate imperatives and pursuing our underlying growth strategies

Whilst facing up to unprecedented circumstances linked to the COVID-19 pandemic, including the lockdown periods, the Group has, albeit at reduced levels, maintained its operations and the delivery of services to clients, thanks to the effective deployment of business continuity plans and the dedication and adaptability of its employees. Leveraging our solid technological capabilities, we rapidly adopted Work From Home practices and flexible working arrangements, with minimal operational hiccups observed and customer service quality maintained. Towards those ends, we also capitalised on a robust governance framework and flexible operational platforms. As a major consideration in view of the virus spread, we took the necessary actions to protect the health of our employees and customers within our premises and minimise risks of contagion, after elaborating clear guidelines and protocols. Moreover, attesting to our unflinching endeavours to accompany our clients in good and bad times, we delivered adapted solutions with the aim to help those being exposed to distressed financial conditions to stay afloat and pursue their activities. On this note, we reinforced our collaboration with the relevant authorities with a view to designing and unleashing the

Message from the Chief Executive

most effective means to support our clients. With regard to our business development, the growth momentum of Group entities has, following the onset and spread of the crisis, been, to a varying extent, hampered by heightened economic uncertainty levels, acute market downturns, dampened investor sentiment and the lockdown of populations. For the year as a whole, it is, nevertheless, worth highlighting that the organisation has pursued its underlying growth trajectories across various market segments, alongside further broadening and diversifying its footprint, notably on the African continent. On the domestic front, MCB Ltd has consolidated its leadership position across individual and corporate market segments and pursued its regional diversification agenda. On this note, the Bank made noticeable progress in widening its involvement in respect of Energy and Commodities financing and international structured finance. To underpin its progress, the Bank continuously improved the appeal, convenience and simplicity of its value proposition, while capitalising on major capacity-building initiatives, including its Digital Transformation and HR Transformation Programmes. The Group's foreign banking subsidiaries have pursued their business strategies across targeted and emerging markets, backed by an improved range of solutions, increased brand visibility and reinforced capabilities. As for our non-banking entities, they expanded their activities and were increasingly involved beyond our local shores. While MCB Leasing Ltd and MCB Factors Ltd have pursued their market development initiatives, MCB Capital Markets Ltd registered an increase in assets under management and the successful completion of corporate finance transactions. As for MCB Microfinance Ltd, it made headway in fostering the financial inclusion and empowerment of small entrepreneurs. MCB Institute of Finance Ltd has, since its recent inception and after collaborating with renowned foreign educational partners, positioned itself as a generalist curator with a range of specialist courses in banking and finance, which attracted enrolments from several banks and corporates, both locally and overseas.

"Through our 'Success Beyond Numbers' agenda, we will sustain the support we provide to the societies and communities in which we are involved...."

Furthermore, spanning the organisation as a whole, additional progress has been made towards showcasing our 'Bank of Banks' proposal aimed at positioning the Group as a regional hub for handling trade finance, payments and cards operations outsourcing services, alongside offering business solutions to financial service providers in Africa and Asia.

Moving ahead amidst the tough context

In the wake essentially of the COVID-19 crisis, the operating context remains particularly challenging across market segments, with low visibility on the evolution of the situation going forward. Difficult market and economic conditions are expected to continue taking their toll on customer segments, albeit to varying degrees. Whilst some business segments, notably on the international front, are anticipated to be resilient, our operating results should, in all probability, be down in view of restrained business activities amidst the economic slump and resulting dampened investor confidence as well as squeezed margins. Pressures on asset quality are likely to intensify with the degree of the impact remaining highly dependent on the duration and severity of the COVID-19 pandemic and the effectiveness of support measures from the authorities.

In another light and by virtue of the likely significant implications for our operations and market activities, the Group remains particularly attentive to the increasingly exigent regulatory and compliance environment prevailing locally and internationally. This oversight implies scrutinising developments potentially impacting the competitiveness and reputation of the Mauritius International Financial Centre. A key focus area is the inclusion of Mauritius into the list of 'jurisdictions under increased monitoring' by the Financial Action Task Force (FATF) and its categorisation in the European Commission's new list of High Risk Third Countries. In this context, the major challenge for public and private stakeholders is to work together to foster the timely and adequate execution of measures to address the remaining recommendations of the FATF Action Plan, which can be decisive to remove our jurisdiction from the EU list. Also, Group entities will attend to competitive pressures being faced across specific markets, notably with the advent to new technologies and digital platforms that are influencing the conduct of business operations and reshaping customer behaviours.

On the back of highly challenging operating landscape being witnessed on various fronts, the Group will maintain its market vigilance and closely monitor developments unfolding in presence countries, with a regular assessment of potential scenarios. We will maintain adequate buffers in terms of capital adequacy as well as funding and liquidity ratios. We will, thus, preserve our financial soundness and harness a favourable footing which will support our ongoing and future market development endeavours.

As key priorities, we will remain focused on addressing immediate imperatives, to promote the continuity of our operations and deliver adapted solutions to our vulnerable customers. In this light, we will maintain close engagement and collaboration with the authorities to assist them in implementing measures to support economic players amidst the testing climate. On this front, we look forward to collaborating with the Mauritius Investment Corporation

Ltd (MIC) in respect of support being provided to specific businesses. The MIC will have a key role to play in tackling the vulnerabilities of economic sectors amidst current difficult times, while underpinning banking sector resilience and promoting the country's macroeconomic stability.

As regards our underlying business growth agenda, we have reviewed our short-term market development targets and priorities, as we continue to appraise the operating context and adopt a prudent market development approach. That being said, we remain intent on pursuing our medium to long-term strategic objectives. We will set forward to sharpen our positioning in established markets and diversify our operations, with Africa staying a key target for the Group. To pursue our expansion endeavours, we will enrich our value proposition and provide increasingly connected experiences to our customers. A prime focus is to uphold investments to boost our inherent capabilities and expertise. Alongside contributing to consolidate our fundamentals and further transform the Group, such moves will create favourable conditions to enable us tap into opportunities surfacing when economic recovery conditions kick in. In this context, we will ensure that recently launched projects unfold in an effective and timely manner. Especially, our Digital Transformation Programme should help to foster improved operational agility and deliver a more convenient and appealing banking experience to our clients. Through our HR Transformation Programme, we will further reinforce HR processes, thus allowing us to better support our ongoing growth strategies across entities. Importantly also, we will cater for the continuous reinforcement of our risk management, internal control and compliance frameworks and processes. While forging ahead with our expansion initiatives, we will maintain our selective deal origination policy and ensure that actions undertaken are aligned with our underlying risk appetite.

Moreover, conscious of the socio-economic repercussions of the current crisis on the vulnerable sections of the population, the Group is – as the leading financial services player in Mauritius – dedicated to help the country and its people cope with the testing times. Through our 'Success Beyond Numbers' agenda, we will sustain the support we provide to the societies and communities in which we are involved. We will preserve our dedicated contribution to the development of a vibrant and sustainable local economy, the protection and valorisation of the country's cultural and environmental heritage as well as the promotion of individual and collective well-being. While enhancing our brand image, we will continue adhering to sustainability principles and give a new dimension to the scale and depth of our stakeholder interactions.

> *"Whereas the implications of the pandemic on our activities should persist for some time, I am convinced that our robust business model, diversified growth agenda and commitment of our people should help the organisation uphold its soundness and resilience..."*

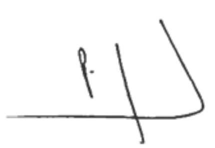
Concluding note

First of all, I would like to extend my warmest appreciation to the Management teams of Group entities and all our employees for the hard work, dedication and resolve displayed during the exceptional times triggered by the COVID-19 pandemic. I am proud of their resilience and adaptability to change, which helped us uphold our operations and service quality amidst challenging conditions.

I wish to thank the members of the various Boards of the Group for their contribution and guidance in helping the organisation confront the extraordinary context in a prompt and judicious manner, alongside preserving the stability and progress of the Group.

I extend my sincere thanks to all our stakeholders for their sustained trust in our ability to create long-term value for them. My deep gratitude goes to our valued customers for continuing to partner with us. This crisis has reinforced our proximity and engagement as we try to find ways to help our clients weather the tough conditions and, concomitantly, preserve our sound operations.

Whereas the implications of the pandemic on our activities should persist for some time, I am convinced that our robust business model, diversified growth agenda and commitment of our people should help the organisation uphold its soundness and resilience in the face of difficult operating conditions. I am, likewise, confident in the ability of the Group to, beyond the short-term, emerge stronger from the crisis and regain its growth momentum, after further transforming its operations and boosting its competitiveness levels.



Pierre Guy NOEL
Chief Executive